

11-8-1987

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AMBASSADOR OF
THE UNITED STATES OF AMERICA
TOKYO

THE U.S. AND JAPAN: PROMISES TO KEEP

Speech by U.S. Ambassador to Japan, Michael J. Mansfield
to the 19th Japan-America Conference of Mayors and
Chamber of Commerce Presidents

November 18, 1987

Thank you, Governor Suzuki, for your kind words of introduction. It is indeed a pleasure to be here today at this 19th Japan-American Conference of Mayors and Chambers of Commerce Presidents. It is an honor to share the dais with my good friend, the distinguished business statesman and former head of the Bank of Japan, Governor Haruo Maekawa.

I have been looking forward to this conference for some time. I am very glad to see that a large group from the United States is on hand, led by Mayor Charles Royer of Seattle, Washington. I note also that the close partnership between the governments and business communities of our cities is manifested by the designation, as co-chairman of the two delegations, of Chamber of Commerce leaders -- Mr. Hideichi Sasaki of the Tokyo Chamber of Commerce on the Japanese side, and Mr. Walter Beran from Los Angeles on the U.S. side.

In less than 40 years, we have come a long way. When this organization first convened in 1951, we were just beginning to learn about each other. We were fortunate indeed at that time to be led by men of vision: Prime Minister Shigeru Yoshida, Secretaries of State George Marshall and John Foster Dulles. But I believe even these men of great foresight could not have predicted how deep and far-ranging our relationship would develop.

To be sure, we started with a good framework. The Treaty of San Francisco gave us the promise of a strong and peaceful Asia, with an independent Japan free to pursue its political and economic destiny. And in those early years of working together, we learned much. We learned that the Japanese have an enormous capacity for resilience, for hard work and for succeeding in the face of adversity. I believe during this period that many Japanese learned that Americans have some virtues that they also respect, an optimism about the future and a willingness to roll up their sleeves and share the work.

And despite our vastly different languages and cultures, despite our geographical distance and divergent differences, despite the war, we became friends. There just seemed to be something about Japanese and American character that made our peoples come to like and respect each other.

For me, this fact is what makes working in the field of Japanese - American cultural relations so rewarding and enjoyable. And it is this phenomenon, this [also most] instinctive welcome and liking for each other that helped to make the recent visit to the United States by Their Imperial Highnesses' the Crown Prince and Princess such an important and successful event.

I suppose I needn't tell you much about this. You have had the experience in your Sister relationships of working with each

other, of overcoming your communication problems and doubts. And I am willing to bet that you came out of these experiences with warm and genuine feelings of friendship for each other.

And as we look back on these early years, we can see in the pages of America's Congressional Record, a chronicle of this growing relationship, described with a mixture of admiration and pride for the role American played in Japan's post-war development. Again and again in this journal we find praise for Japan's commitment to democracy, for its vital artistic traditions, and for the successful efforts to re-build its economy.

And as our relationship grew over the years, new themes began to emerge. Younger generations with no memories of the war began to move upward in our societies. In my country, the pattern of immigration of peoples into the United States began to change: First our West Coast and later our entire country began a process of shifting its attention from Europe to the Far East.

At the same time, the mighty engine of the Japanese economy, fueled by some of the most dedicated, educated and resourceful workers in the world, began to provide us first with novelties, then with low cost conveniences, and finally with state-of-the-art technological and industrial products that have become part of the daily life of every household in our

land. While, for our part, we contributed to Japan the products of our abundant and efficient agricultural system, equipment for production, information processing and medical use, and hi-tech innovations and ideas from America's unmatched research and development sector.

Yet sadly, while our relationship has now grown to the point where we are partners in nearly every aspect of international human endeavor, it is in this area of economics where nearly all our problems lie.

There are a number of reasons for this: First of all, because we have not yet found a better way, we continue to deal with each economic issue between our two countries as a new international crisis. We must find a better way. While dealing with one after another short term economic or trade problem, we simply also have to devote time and planning to developing a mechanism to handle these problems with less disruption to our overall relationship, and in a longer term and larger framework. We cannot allow the urgent to continually drive out the important.

Secondly, we should remember that the economic problems we encounter grow from our interdependence and it is, after all, this close relationship which nurtures both our peoples. As I have said before, though the waves may be sometimes high, we cannot condemn the sea.

Thirdly, as patience is not a particularly American virtue, neither is haste a Japanese characteristic. We must show more regard for the ways in which each country perceives, approaches and attempts to solve our joint economic problems.

Fourthly, the tone and stereotyping that form the context of many of the issues we face hinders their resolution. Japan can not any longer be seen as a poor country, lacking natural resources and blessed only by the skills of its hardworking people. At the same time, it cannot be seen as a ruthless economic giant bent on the domination of all future technological innovation.

On this last point, I would like to elaborate a bit on why we perceive each other as a threat to our respective well being. Perhaps by looking at the emotional aspect of these problems, we will find ways of solving them.

Japan is seen as a threat by many Americans because its rapid economic expansion has forced unwanted and painful adjustments in our country. When change comes as a result of the loss of traditional markets and jobs to a foreign competitor, it matters little to those who lose them that new demands for goods or services, and therefore also jobs, are being created elsewhere in the economy. It also matters little that the cause of "economic efficiency" is being served. Structural adjustment is an easy medicine for an economist to prescribe,

but a difficult one for a patient to swallow. And in this, I believe my Japanese friends also have some considerable recent experience.

Secondly, Japan is seen by some Americans as a threat because its success is perhaps somehow falsely interpreted as our decline. We simply must find ways to help our citizens understand the nature of the interdependence of our relationship -- to understand that in the game of international economics, it is possible for all to win.

Thirdly, as James Fallows suggested in a recent Atlantic Monthly Magazine article, perhaps Japan is fundamentally different. It has long standing cultural and historical traditions that have hindered its adaptation to the modern international market system. And its rise to economic superpower status has been incredibly rapid, creating pressures for speedy and dramatic adjustments. Some Americans doubt the willingness and sincerity of some Japanese leaders in confronting the need to adapt its economic practices to conform to those of its trading partners around the world. And this refusal to adapt -- in their terms, to accept the benefits of a modern international trading system while sharing little of the domestic costs of such a system -- is threatening to them. But there should be no underestimation of the difficulties involved in such adjustments; they don't come easy and they involve not only economic, but big political costs as well.

Of course, some of these threats are to a greater or lesser extent felt on the Japanese side as well. And there are others that we hear daily. Some Japanese apparently feel that the U.S. is intent on preventing Japan from enjoying the fruits of its justly-earned prosperity. This view is based on the perfectly understandable and largely correct opinion that Japan's present prosperity is the consequence of excellent organization and much hard work. A few have tied together unrelated incidents in an area of intense U.S. Japan competition, the electronics industry, and have gone so far as to say that there is a conspiracy afoot to destroy this economic sector in Japan.

That is, of course, nonsense. If we understand the true nature of our interdependence, we know that actions taken against one of us will only damage the other. This is so now and will become even more obvious as we continue to grow closer in the years to come.

It is these elements of emotionalism which have entered our economic debate which are to me most troubling. On both sides we seem to fall into the fallacy that we are the victim and the other nation is the aggressor. The messages that we are sending our young people as a result of these continuing economic shocks is profoundly disturbing to all of us who see every day the immense benefits that both our societies obtain from our partnership.

I have read that the precentage of Japanese who express friendly feelings toward the U.S. in a well known opinion poll has fallen substantially. That concerns me. A recent poll indicates that a substantial number of Japanese junior high school students interviewed in July by the Asahi Shimbun named the U.S. as the nation with which Japan is most likely to go to war. I find this incomprehensible! What is of concern to me is that this younger generation, and perhaps ours, has not had the positive experience in building our relationship that all of you have had. Their views are conditioned by what they see on television, read in the papers and hear from their elders. How can we get them to avoid crashing blindly into each individual tree, and teach them to stand back and enjoy the abundance and beauty of the forest?

How can we show them that every day in many ways their lives are enriched by our relationship, in the things they need and use and enjoy and in the cultural and educational contributions that are provided to them?

And once we have educated our children, perhaps we will learn to educate some of our leaders. They too, need to be taught that sacrifices made for the strengthening of our relationship are far more accurately described as "investments". They must learn that it is not in the interest of the relationship to use political pressure nor to label as "outside political pressure" the legitimate attempts of the other side to resolve economic differences.

An example of the unfortunate attempt to use political pressure to solve economic problems is the trade bill that is currently being considered by a joint committee of Congress. Where in that bill is consideration given to the fact that some 20 percent of America's agricultural exports, including more than 70 percent of its beef, are bought by Japan? Or that Japan buys 65 percent of our fish exports or 15 percent of our aircraft -- I could go on and on. Also, where in this bill is the acknowledgement that the hundreds and hundreds of Japanese made consumer products from cars to appliances to home entertainment equipment have contributed enjoyment and savings to every family in America? Again, the relationship is forgotten and the problems blown up to crisis proportions.

I'll grant that we would welcome an effective format for resolving these trade issues that continue to surface one after another, but this bill is certainly not it.

It is no secret that we Americans have a big job ahead of us.

We need to save more, consume less and continue to restore our competitive strength. *AND IN THE PROCESS OUR PRIDE IS WELL* We need to get our "twin deficits" --

the massive red ink in our Federal Budget and our trade deficit -- under control.

And we are making some progress there. Trends in U.S. - Japan trade since the first of the year are in the right direction -- not moving fast enough yet, but accelerating. For the first

nine months of 1987, U.S. exports to Japan were seventeen percent ahead of the 1986 pace. Additionally, last month it was announced that in fiscal 1987 the U.S. budget deficit was reduced by one-third -- 73 billion dollars. This was not an accidental consequence of a tax windfall, as some would have it. It was in fact the consequence of reducing 1987 growth in federal spending to only one percent, the lowest rate of increase in some 30 years. We will keep working at these problems. *Furthermore to dispire the fact that we have recently arrived on the scene* We do not intend to be a permanent debtor nation, dependent on capital flows from abroad to finance our lifestyles.

And farsighted Japanese leaders have also forthrightly acknowledged that they have a job to do. Just as America must get on with its attack on the "twin deficits," Japan needs to complete the "twin adjustments." I am talking about an adjustment of its economic structure and an adjustment of its view of itself to correspond to the reality of its status as an economic superpower.

The standard of living we have now achieved owes much to the global trading system that has matured since World War II. A nation that is organized to export, to use the proceeds to add productive capacity, and to export still more is, we have learned, ultimately highly destabilizing to that trading system.

We can understand a single-minded drive to build export volume

by developing nations; how else can they catch up? Further, their exports are normally exceeded by massive imports of capital goods. We expect that in time, however, the successful less developed country will devote more and more of the gains from trade to improving the living standards of its own people. So that other nations can afford to buy from it, it will import a growing fraction of the goods it needs from abroad. It will do so, ironically, even though it may have become very good at making almost everything it needs. As David Ricardo pointed out 150 years ago, two-way trade is a game that puts everyone ahead.

This is indeed the premise that animates a visionary report issued here some eighteen months ago. It was produced by a distinguished group under the chairmanship of Governor Maekawa, my colleague at the podium today. The Maekawa report is a blueprint for the structural adjustment of the Japanese economy in pursuit of two fundamental goals. First, to assure that Japan may live in harmony with its friends and allies. Second, so that the people of Japan may enjoy the fruits of their tremendous efforts over the past forty years.

The report by Governor Maekawa's group provides the philosophical underpinning of Japan's much-heralded shift to a more domestic-oriented economy -- an economy that will absorb more of Japan's products at home rather than export them to the rest of the world. And indeed it appears that surging domestic

demand has begun to lift Japan out of its recent "high-yen" stagnation.

I believe therefore that we can for the sake of the relationship that means so much to all of us, discipline ourselves. We need to review our recent experiences for lessons and principles that we can apply more broadly to alleviate trade frictions. And I believe we will have to step back a bit from our present approach and try new ideas and develop new ways of handling problems.

In my purely personal view, one of the ideas that has not yet been endorsed by my government, but deserves a closer look is the notion of a "free trade agreement" between Japan and the United States. I don't fool myself that a free trade agreement can be worked out simply or in a short time. It took us several years to negotiate one with Canada, and it still has to be approved by the legislatures in both countries. But we ought to study whether one might be possible, or at least whether there aren't some features that could be helpful in defining the economic goals of our relationship. It is better to face up to the whole of a policy rather than submit to nickle and dime-ing on every single issue.

Now, where do you come in? I haven't forgotten that this is a gathering of leaders from American and Japanese cities, and that you have come together to talk, not about trade frictions,

but about internationalization and the impact of information technology. Well, first off, I believe that you out there understand the true nature and importance of the U.S. Japan relationship. You are sharing in it and making it work. We have now nearly 200 Sister City pairs and many more specific relationships between States and Prefectures and institutions at all levels. Not a week goes by that we at the Embassy do not hear of a new Sister City pair being established or a new cultural exchange program being started.

This is always welcome news to us.

As our relationship has grown ~~so much~~ in the last 40 years, so I believe it will continue to grow and you are helping to speed that growth. What if, before an economic problem became the subject of heated debate in the American Congress or the Japanese Diet, it could be easily solved directly by the parties concerned? What if a businessman or official could simply call his counterpart and say, "We are considering this or that action. Will this give you problems?". And what if the two of them or others involved could then discuss and work out those problems before they got out of hand? Would this not be a better way to do business?

This approach to problems is dependent upon the building of cultural bridges, understanding and mutual confidence. That of course is exactly the kind of thing that you and this program of sister relationships do best.

Also, in the course of these meetings, you ^{HAVE} ~~will be~~ ^{ex} discussing the impact of information on our cities. One need only to look at the interplay of the Tokyo and New York stock exchanges in recent days to see how these new technologies have rapidly speeded the process of interdependence between our two nations.

We now have the technology that makes it as easy for a salesman in Hamamatsu to order products from Dallas or Detroit as it is from Osaka. We are coming close to the day when geographical distance will be nearly meaningless to the conduct of commerce.

Will we fight this new wave of technology by continuing to impose tariffs, to protect inefficient economic sectors, to preserve antiquated rules and regulations which discriminate against each other's goods and services? Or will we be farsighted enough to realize what freedoms and benefits we can gain from this communication revolution?

If we choose the latter course, we can begin now to develop a system of trade and commerce that lives up to the promise of the new technology, a system that can bring to the family in Butte, Montana or the family in Yokohama the same wide range of products and services at the lowest possible prices.

I welcome your thinking on these and the other problems ~~that will be investigated in the course of these proceedings.~~

I believe--I know--that we are approaching the Century of the Pacific. It is a time of great promise for American and Japanese cities. If we fail to prepare for the fulfillment of this promise and let protectionism get the upper hand, it is your cities that -- because they are on the leading edge of economic growth -- ^{IT IS YOUR CITIES THAT} will suffer most. And finally and most importantly, I am sharing these deep concerns with you because you are here, you care, you understand and you can help.

Thank you.

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